

**Application for Michigan Net Operating Loss Refund MI-1045**Issued under authority of Public Act 281 of 1967. **Type or print in blue or black ink.**

► For loss year  or for loss year beginning  and ending

|   |      |           |  |
|---|------|-----------|--|
| ► Filer's First Name                                | M.I. | Last Name | ► Filer's Social Security Number (Example: 123-45-6789)                    |
| If a Joint Return, Spouse's First Name              | M.I. | Last Name | <input type="text" value="— —"/>   |
| Home Address (No., Street, P.O. Box or Rural Route) |      |           | ► Spouse's Social Security Number (Example: 123-45-6789)                   |
|   |      |           | <input type="text" value="— —"/>   |
| City or Town  |      |           | State <input type="text" value=""/> ZIP Code <input type="text" value=""/> |

**IMPORTANT:** Use your U.S. Form 1040 to complete this form. Do not consider net operating losses from other years, **income and losses from other states, or income and losses from oil and gas production that is subject to Michigan Severance Tax.**

**PART 1: COMPUTING THE NET OPERATING LOSS (NOL) (see instructions, page 2).**

|  |      |                               |                                 |
|--|------|-------------------------------|---------------------------------|
| 1. Wages, salaries, tips, etc.....   | 1.   | <input type="text" value=""/> | <input type="text" value="00"/> |
| 2. Interest income .....   | 2.   | <input type="text" value=""/> | <input type="text" value="00"/> |
| 3. Dividends _____ Less exclusions _____ Balance _____   | 3.   | <input type="text" value=""/> | <input type="text" value="00"/> |
| 4. Business income or loss (attach U.S. Schedules C and F) .....   | 4.   | <input type="text" value=""/> | <input type="text" value="00"/> |
| 5. Capital gain or loss (attach U.S. Schedule D) .....   | 5.   | <input type="text" value=""/> | <input type="text" value="00"/> |
| 6. Other gains or losses (attach U.S. Form 4797) .....   | 6.   | <input type="text" value=""/> | <input type="text" value="00"/> |
| 7. Pension, IRA, and annuities (included in Adjusted Gross Income (AGI)) .....   | 7.   | <input type="text" value=""/> | <input type="text" value="00"/> |
| 8. Net rent or royalty income .....  | 8.   | <input type="text" value=""/> | <input type="text" value="00"/> |
| 9. Income or losses from partnerships, estates, trusts and S corporations (attach U.S. Form Schedule E) .....                            | 9.   | <input type="text" value=""/> | <input type="text" value="00"/> |
| 10. Miscellaneous income (e.g. state and local refunds, unemployment compensation). Explain: _____                                       | 10.  | <input type="text" value=""/> | <input type="text" value="00"/> |
| 11. Total income. Add lines 1 through 10.....  | 11.  | <input type="text" value=""/> | <input type="text" value="00"/> |
| 12. ADJUSTMENTS: Only list adjustments to Michigan source income   |      |                               |                                 |
| a. Payments to a retirement plan as an individual or self-employed person  | 12a. | <input type="text" value=""/> | <input type="text" value="00"/> |
| b. Deduction for self-employment tax and self-employed health insurance  | 12b. | <input type="text" value=""/> | <input type="text" value="00"/> |
| c. Educator expenses and/or moving expenses.....   | 12c. | <input type="text" value=""/> | <input type="text" value="00"/> |
| d. Alimony paid and/or penalty for early withdrawal of savings .....   | 12d. | <input type="text" value=""/> | <input type="text" value="00"/> |
| e. Domestic production activities deduction .....  | 12e. | <input type="text" value=""/> | <input type="text" value="00"/> |
| f. Other adjustments to income including health savings account deduction  | 12f. | <input type="text" value=""/> | <input type="text" value="00"/> |
| 13. Total adjustments. Add lines 12a through 12f.....  | 13.  | <input type="text" value=""/> | <input type="text" value="00"/> |
| 14. Michigan AGI. Subtract line 13 from line 11. (If greater than zero, you do not have an NOL.) .....                                   | 14.  | <input type="text" value=""/> | <input type="text" value="00"/> |
| 15. Nonbusiness deductions: Enter total adjustments from line 13 less amounts listed on lines 12b, 12c and 12e .....                     | 15.  | <input type="text" value=""/> | <input type="text" value="00"/> |
| 16. Nonbusiness income included in line 11   |      |                               |                                 |
| a. Interest income .....   | 16a. | <input type="text" value=""/> | <input type="text" value="00"/> |
| b. Dividend income .....   | 16b. | <input type="text" value=""/> | <input type="text" value="00"/> |
| c. Net nonbusiness capital gains (before any allowable exclusion) .....  | 16c. | <input type="text" value=""/> | <input type="text" value="00"/> |
| d. Pension, IRA, and annuities .....   | 16d. | <input type="text" value=""/> | <input type="text" value="00"/> |
| e. Alimony received .....  | 16e. | <input type="text" value=""/> | <input type="text" value="00"/> |
| f. Other income .....  | 16f. | <input type="text" value=""/> | <input type="text" value="00"/> |
| 17. Total nonbusiness income. Add lines 16a through 16f .....  | 17.  | <input type="text" value=""/> | <input type="text" value="00"/> |
| 18. Excess of nonbusiness deductions over nonbusiness income, subtract line 17 from line 15, enter here. If zero or less, enter -0-..... | 18.  | <input type="text" value=""/> | <input type="text" value="00"/> |
| 19. Excess capital loss deduction (see instructions, page 2) .....   | 19.  | <input type="text" value=""/> | <input type="text" value="00"/> |
| 20. Add lines 18 and 19.....   | 20.  | <input type="text" value=""/> | <input type="text" value="00"/> |
| 21. Net operating loss. Combine lines 14 and 20. (If greater than zero, you do not have an NOL) .....                                    | 21.  | <input type="text" value=""/> | <input type="text" value="00"/> |

**MICHIGAN NET OPERATING LOSS:** This Michigan NOL amount may be carried back two years. For 2008, most taxpayers may qualify to use a 3, 4, or 5 year carryback period in the same manner as provided in the Internal Revenue Code. Any unused balance may be carried forward 20 years. An election to forego the carryback period must be filed in the same manner as required by the Internal Revenue Code. (Attach a statement to your return for the NOL year.) Any loss in excess of income subject to Michigan tax may be carried forward to the next year.

## Application for Refund From Carryback of Net Operating Loss MI-1045

## PART 2: REDETERMINING YOUR MICHIGAN INCOME TAX

|     |  |    |    |    |
|-----|--|----|----|----|
| 22. | Enter the year that you are carrying the NOL to.....       |    |    |    |
| 23. | Reported federal AGI .....                                 | 00 | 00 | 00 |
| 24. | Additions from MI-1040. Explain:.....                      |    |    |    |
|     |  | 00 | 00 | 00 |
| 25. | Total. Add lines 23 and 24 .....                           | 00 | 00 | 00 |
| 26. | Subtractions from MI-1040. Explain:.....                   |    |    |    |
|     |  | 00 | 00 | 00 |
| 27. | Balance. Subtract line 26 from line 25.....                | 00 | 00 | 00 |
| 28. | Less Net Operating Loss Deduction (NOLD) from line 21..... | 00 | 00 | 00 |
| 29. | Balance. Subtract line 28 from line 27.....                | 00 | 00 | 00 |
| 30. | Less Michigan exemption allowance.....                     | 00 | 00 | 00 |
| 31. | Taxable balance.....                                       | 00 | 00 | 00 |
| 32. | Tentative tax. If less than zero, enter zero.....          | 00 | 00 | 00 |
| 33. | Less nonrefundable tax credits.....                        | 00 | 00 | 00 |
| 34. | Tax due. If less than zero, enter zero .....               | 00 | 00 | 00 |
| 35. | Less: a. Refundable tax credits .....                      | 00 | 00 | 00 |
|     | b. Tax withheld.....                                       | 00 | 00 | 00 |
|     | c. Tax paid with prior returns.....                        | 00 | 00 | 00 |
|     | d. Estimated tax payments .....                            | 00 | 00 | 00 |
| 36. | Total of items 35a through 35d .....                       | 00 | 00 | 00 |
| 37. | Tax previously refunded or carried to next year.....       | 00 | 00 | 00 |
| 38. | Balance of tax paid. Subtract line 37 from line 36 .....   | 00 | 00 | 00 |
| 39. | Overpayment. Subtract line 34 from line 38 .....           | 00 | 00 | 00 |

|   |      |   |  |
|---|------|---|--|
| <b>Taxpayer Certification.</b> I declare under penalty of perjury that the information in this return and attachments is true and complete to the best of my knowledge. |      | <b>Preparer Certification.</b> I declare under penalty of perjury that this return is based on all information of which I have any knowledge. |  |
| Filer's Signature   | Date | ▶ Preparer's PTIN, FEIN or SSN<br><div style="border: 1px solid black; height: 30px; width: 100%;"></div>                                     |  |
| Spouse's Signature  | Date | ▶ Preparer's Business Name (print or type)  |  |
|   |      | Preparer's Business Address (print or type)   |  |
| ▶ I authorize Treasury to discuss my return with my preparer. <input type="checkbox"/> Yes <input type="checkbox"/> No  |      |   |  |

## Line-by-Line Instructions

**NOTE:** The Michigan NOL is generally carried back 2 years. See instructions, page 4, for exceptions.

### Part 1: Computing Net Operating Loss

To complete Part 1, use the entries on your U.S. Form 1040 for the year the loss occurred. Do not consider income and losses from other states or income and losses from oil and gas.

**Line 10:** Miscellaneous income includes state and local refunds, unemployment benefits, alimony received and any other miscellaneous taxable income.

**Line 14:** Subtract line 13 from line 11. This amount should equal your federal AGI if you have no income or losses from other states or income and losses from oil and gas.

**Line 19:** The excess capital loss must be calculated on a U.S. Form 1045 Schedule A, line 21 or 22, then entered on this line.

## Part 2: Redetermining Your Michigan Income Tax

**Line 24:** Include any additions shown on your original return.

**Line 26:** Include any subtractions shown on your original return.

**Line 29:** If line 29 is less than zero, enter that amount on line 28 in the next column. Cannot exceed line 28 of the preceding column.

**Line 33:** Enter the total of nonrefundable credits claimed on your original return.

**Line 35a:** Enter the total of refundable credits for homestead property tax, home heating and farmland preservation. Any credit entered here must be adjusted for the NOLD adjustment to household income, if applicable. Be sure to attach your amended credit form.

**Line 35c:** For the year listed on line 22, enter total tax paid with the annual return plus any additional tax paid after original return was filed.

Mail your completed form to: **Michigan Department of Treasury**  
**Lansing, MI 48956**

# **Computation of Federal Modified Taxable Income (FMTI) for Household Income Only MI-1045** **PART 3: ADJUSTING YOUR NOL FOR HOUSEHOLD INCOME**

## **Step 1. Figure Your FMTI**

|  | A | B  | C  |
|--|---|----|----|
| 40. Enter the year that you are carrying the NOL to .....                  |   |    |    |
| 41. Reported AGI for year shown on line 40 without NOLD .....              |   | 00 | 00 |
| Add:   |   |    |    |
| 42. a. Adjustments to AGI (see instructions).....                          |   | 00 | 00 |
| b. Capital losses, in excess of capital gains (\$3,000 maximum) ...        |   | 00 | 00 |
| 43. MODIFIED Federal AGI. Add lines 41 and 42a or 42b .....                |   | 00 | 00 |
| 44. a. Medical (see instructions for limitations).....                     |   | 00 | 00 |
| b. Taxes .....   |   | 00 | 00 |
| c. Contributions.....  |   | 00 | 00 |
| d. Interest.....   |   | 00 | 00 |
| e. Casualty loss .....   |   | 00 | 00 |
| f. Moving expenses.....  |   | 00 | 00 |
| g. Miscellaneous (attach U.S. <i>Schedule A</i> ; see inst.) .....         |   | 00 | 00 |
| h. Limit on itemized deductions .....                                      |   | 00 | 00 |
| i. If you do not itemize, use the standard deduction .....                 |   | 00 | 00 |
| 45. Enter the total of 44a through h, or 44i if you did not itemize .....  |   | 00 | 00 |
| 46. FMTI. Subtract line 45 from line 43 (If less than zero enter -0-) .... |   | 00 | 00 |

## **Step 2. Figure Your Carryback (If you are not carrying the loss back, go to Step 3.)**

|   |  |    |    |
|---|--|----|----|
| 47. Unabsorbed NOL. Enter in column A your federal NOL as a positive amount .....   |  | 00 | 00 |
| 48. NOL to be carried to next succeeding year.<br>Subtract line 46 from line 47. Carry the amount on this line to the next column, line 47 (cannot be less than zero) ..... |  | 00 | 00 |

## **Step 3. Figure Your Carryforward**

|   |  |    |    |
|---|--|----|----|
| 49. Enter the year the federal NOL occurred.....  |  |    |    |
| 50. Enter the amount of the original federal NOL as a positive amount .....   |  | 00 | 00 |
| 51. Enter the total of all NOLs used for previous years .....   |  | 00 | 00 |
| 52. Subtract line 51 from line 50. This is the remaining NOL that can be carried forward to the year on line 40 ..... |  | 00 | 00 |
| 53. Subtract line 46 (FMTI) from line 52. This is the remaining NOL to carry forward (cannot be less than zero).....  |  | 00 | 00 |

## **Line-by-Line Instructions for Part 3: Adjusting Your NOL for Household Income**

**Line 41:** Include NOL carryovers or carrybacks from earlier years.

**Line 42a:** Adjustments to AGI, such as taxable Social Security benefits and IRA deductions, must be recalculated based on federal modified AGI.

**Line 44:** Use 44a through h if you itemized. If you didn't itemize, use 44i.

**44a:** Medical adjustments. The amount of medical adjustments you can take varies with federal law from year to year. You must recalculate your medical expense deduction based on modified federal AGI and the federal limitation in effect for the year entered on line 40.

**44c:** Percentage limitations on charitable contributions are based on modified federal AGI.

**44g:** Miscellaneous deductions are limited to 2 percent of AGI. This amount cannot exceed 2 percent of modified federal AGI.

**44h:** If modified AGI exceeds certain amounts, itemized deductions may be limited. See limitations in effect for the year entered on line 40.

**Line 46:** This is your FMTI. Your Michigan NOLD will be the amount on this line or the amount from line 47 (or line 52 for carryforwards), whichever is smaller. This amount cannot be less than zero.

**Line 47:** Enter your federal NOL in column A as a positive amount. Each succeeding year will be the excess portion (if any) from line 48 of the preceding column.

**Line 48:** Subtract line 46 from line 47. If the result is more than zero, this is the excess NOL to be carried to the next year. If it is less than zero, the NOLD is limited to the excess on line 47. This is the last year affected by the NOL.

**Line 53:** If line 46 is less than line 52, subtract line 46 from line 52 and enter here; then use line 46 as your NOLD to recalculate your credit. If line 46 is greater than line 52 enter zero here and use line 52 as your NOLD to recalculate your Michigan credits.

## Application for Net Operating Loss Refund Instructions

**NOTE:** The Michigan NOL is generally carried back 2 years. For 2008, most taxpayers may elect to carry back the Michigan NOL up to 5 years. Any remaining unused loss after the carryback period may then be carried forward for 20 years. Certain exceptions to the general 2 year carryback period that apply to federal NOLs (e.g. certain casualty or farm losses) also apply to Michigan NOLs. See the U.S. Form 1045 instructions for exceptions to the general carryback rules for federal NOLs.

### What is a Net Operating Loss?

A net operating loss (NOL) occurs when a business has losses in excess of its gains. The Michigan NOL deduction (NOLD) is subject to allocation and apportionment as required by the Michigan Income Tax Act. Income and losses attributed to other states, and income and losses from oil and gas production included in the federal NOL must be eliminated from the Michigan NOL calculation in the loss year. The Michigan NOL may be carried back in the same manner as prescribed in Section 172 of the Internal Revenue Code as in effect for the year the loss was incurred. If your NOL is not exhausted in the carryback years, or you elect to forego the carryback, an NOL carryforward will exist for subsequent years. The carryover period is limited to 15 years for loss years before 1998. Beginning with the 1998 tax year, the carryback period is generally limited to two years for both federal and Michigan taxes, and any unused loss may be carried forward 20 years. For tax years beginning or ending in 2008, eligible taxpayers may elect a 3, 4, or 5 year carryback period instead of the standard two-year period in the same manner as provided for federal NOLs in the Internal Revenue Code. Exceptions to the general carryback periods for federal purposes also apply to Michigan.

### The Michigan NOL

The Michigan Court of Appeals has ruled in two separate cases, *Preston v Treasury*, 190 Mich App 491; 476 NW 2d 455, (1991) and *Beznos v Treasury*, 224 Mich App 717; 569 NW 2d 908 (1997), that the Michigan NOL and NOLD are computed separately and independently of the federal NOL and NOLD. If you incurred a federal NOL that you are carrying back to previous years, you must determine the allowed Michigan NOL, if any, by completing page 1 of Form MI-1045. If you incurred a Michigan NOL, but are electing to forego the carryback, and carry the Michigan NOL forward, you do not need to file this form until the year you actually use the loss to offset Michigan income. If you incurred an NOL from Michigan sources, but did not incur a corresponding federal NOL, you must complete page 1 of Form MI-1045, to determine your allowable Michigan NOL.

### When to File Form MI-1045

If you are carrying back your NOL to prior years, Form MI-1045 must be filed within four years after the date set for filing the return in which the NOL was incurred. For example: If the original NOL was incurred in 2003, then the original 2003 return was due April 15, 2004. You must file Form MI-1045 by April 15, 2008, to carryback the 2003 Michigan NOL to a year that is otherwise outside of the general 4 year statute of limitations.

If your Michigan NOL is carried forward, Form MI-1045 should be filed in the year it is carried forward to.

### Using Form MI-1045

Use page 1 of Form MI-1045 to calculate your Michigan NOL for the year of the loss. If you are carrying the loss back, you must

also complete page 2, *Redetermining Your Michigan Income Tax*. Page 3 is used to determine the amount of your federal NOLD that may be used to compute your household income.

See "How an NOL affects the homestead property tax credit" below.

If you are filing a refund claim from the carryback of a Michigan NOL, you must also file the appropriate amended credit claim forms for each year the loss is being carried back. Attach the amended credit claim forms to Form MI-1045.

The total amount of the federal NOLD used to arrive at federal AGI must be added back on Form MI-1040. The Michigan NOLD is then subtracted in its place on Form MI-1040. This amount will be the NOL determined on Form MI-1045, page 1, line 21, less any of the loss used in previous years. See the MI-1040 instruction booklet for specific line references for the years involved.

You must attach a copy of your federal income tax return (U.S. Form 1040) and any supporting federal tax schedules or forms that support the NOL. Be sure to indicate the location (city and state) of any income or loss. If you have income or loss subject to apportionment, see *MI-1040H Schedule of Apportionment*.

### NOL Affects on Homestead Property Tax Credit

To determine household income for purposes of computing the homestead property tax credit, the home heating credit, and the farmland preservation tax credit, an NOLD is allowed. The amount of the NOLD that is allowed cannot exceed your FMTI in the year to which it is being carried back or carried forward. Claim the amount of the allowed NOLD on the "other adjustments line" on the appropriate credit forms for each applicable year. *Caution: To deduct an NOLD from household income, you must have a corresponding federal NOLD. If you have a Michigan NOLD, but no federal NOLD, you cannot take an NOLD in household income. Income and losses from other states, income and losses from oil and gas production, and federal itemized deductions, must be considered when calculating the NOL and NOLDs used for household income.* The amount of the allowable NOLD for use in household income is calculated on page 3 of the MI-1045 form for both carrybacks and carryforwards. The amount of the carryback deduction will be the smaller of lines 46 or 47, and the amount of the carryforward deduction will be the smaller of lines 46 or 52.

**Example:** Your 2004 FMTI is \$20,000, and your 2004 federal NOLD is \$50,000. The amount of the 2004 NOLD of \$50,000 that may be used in 2004 household income is limited to \$20,000. The balance of \$30,000 will be available for use in 2005 to the extent of your 2005 FMTI.

### Forms or Questions

Michigan tax forms are available on Treasury's Web site at [www.michigan.gov/taxes](http://www.michigan.gov/taxes). You may also call toll-free 1-800-827-4000 to have tax forms mailed to you or to ask technical questions.